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PENSION TAX DEADLINE 2018

31ST OCTOBER & 14TH NOVEMBER

This is not a customer document and is intended for Financial Advisers only

Individuals who both pay and file their tax returns through the Revenue On-line Service (ROS) have until **Wednesday 14th November 2018** to pay a pension contribution and elect to backdate the income tax relief against the 2017 tax year. Those who do not qualify for the ROS extension must do this by **31st October 2018**.

There is no option to defer. If they do not take this opportunity, they will not get another chance to reduce their 2017 income tax liability.

This document provides information on the main aspects of the pensions tax deadline, including

- Who files a Self-Assessment Tax Return
- Pension Tax Deadline for Self-Employed Clients
- Can Employees avail of the Tax Deadline
- Maximum Pension Contribution Allowed
- Late Returns
- Earnings Limit and Individuals with Dual Incomes

WHO FILES A SELF-ASSESSMENT TAX RETURN?

The self-employed, proprietary directors (those who own more than 15% of a company) and people with non-PAYE income are required to file self-assessment tax returns under the Pay and File system with Revenue.

To avoid interest and surcharges they must by 31st October / 14th November 2018

- ✔ File their 2017 Income Tax Return
- ✔ Pay any balance of income tax outstanding for 2017
- ✔ Pay preliminary income tax for 2018

Employees and directors in occupational pension schemes can also reduce their 2017 tax bill if they pay an AVC single premium on or before 31st October 2018 and file a return by 31st October 2018.

FILING RETURNS ELECTRONICALLY

Certain individuals are required to file their tax returns electronically through the Revenue Online Service (ROS) system. These include self-assessed individuals claiming income tax relief on personal pension, Personal Retirement Savings Account (PRSA), Additional Voluntary Contribution (AVC) contributions as well as those claiming other reliefs such as artists' exemption, woodlands exemption, patent income exemption etc.

More information can be found on the Revenue's website **www.revenue.ie**

Those affected should ensure they are registered for ROS so they can claim all reliefs they are entitled to.

PENSION TAX DEADLINE FOR SELF-EMPLOYED CLIENTS

BACKDATING INCOME TAX RELIEF

A self-employed client who wants to pay a personal pension or PRSA contribution and backdate the income tax relief against their 2017 earnings needs to do the following

1. Pay the contribution to the life office or PRSA provider on or before the return filing date, and
2. Submit their tax return to Revenue on or before the return filing date

The return filing date is 14th November 2018 for those who pay and file their returns using ROS. If there is any doubt about qualifying for the ROS extension we would recommend clients pay their pension contributions and file their tax return by 31st October to ensure they meet the deadline.

CLAIMING INCOME TAX RELIEF ON PERSONAL PENSION OR PRSA CONTRIBUTIONS

In order to claim income tax relief on contributions to a personal pension or PRSA the individual must be "chargeable to tax in respect of relevant earnings". Relevant earnings refer to income of individuals who are:

Self-employed
(income from a trade or profession taxed under Schedule D, Case I or II)

Employees
(Schedule E, PAYE and not a member of a company pension scheme)

Directors of companies
(Schedule E, PAYE and not a member of a company pension scheme)

Net relevant earnings are relevant earnings less charges in income (e.g. covenant payments, tax deductible maintenance payments, allowable interest) and losses or capital allowances related to the individual's relevant earnings.
Income which is not relevant earnings includes:

- Investment income (e.g. rental income)
- Sleeping partner
- Earnings from an investment company where the client directly or in directly controls more than 20% or the company
- Pension income (annuity income) or payments from Approved Retirement Fund (ARF) or Approved Minimum Retirement Fund (AMRF)
- Spouse's income as you cannot take out a pension for your spouse's income

SELF EMPLOYED & PROPRIETARY DIRECTORS: SUMMARY OF BACKDATING INCOME TAX RELIEF

DATE TO MAKE A CLAIM

Must pay and elect to backdate pension contribution by **31st October 2018** for 2017 tax year.

Extension to **14th November 2018** for those who pay and file using ROS.

FORMS REQUIRED TO MAKE A CLAIM

Self Employed and Proprietary Directors (more than 15%) need to complete Income Tax Form 11 or the shorter version Form 11E.

Clients should **not** include Retirement Annuity Contract (RAC) or PRSA Certificates with their self-assessment tax return. Clients should instead retain supporting documents, accounts, certificates, etc. in case they are requested by Revenue as part of an audit at a later date.

HOW TO MAKE A CLAIM

Self Employed and Proprietary Directors will have to file their returns using ROS if they are looking to claim income tax relief on pension contributions.

See **www.revenue.ie** for more information.

CAN EMPLOYEES AVAIL OF THE TAX DEADLINE?

Employees also have the opportunity to pay a pension contribution and set it against their 2017 tax bill. To claim income tax relief on their pension contribution, employees must pay their contribution to the appropriate pension contract for their circumstances.

- **PRSA or Personal Pension:** where the employee had Schedule E income during 2017 but was not a member of their employer's company pension scheme.
- **AVC or PRSA AVC**: where the employee had Schedule E income during 2017, was a member of their employer's company pension scheme during 2017 and is still in that same employment.

  Once an employee leaves employment where they were a member of a company pension scheme, they cannot make any further pension contributions in respect of the income from that employment.

  Note: a termination payment made on leaving employment (under Section 123 TCA 1997) is not considered remuneration for pension purposes. This would include termination payments on redundancy, payment in lieu of notice and other ex-gratia payments. However, part or all of such a termination payment may qualify for tax relief under other available exemptions.

BACKDATING INCOME TAX RELIEF

An employee has until 31st October 2018 to:

1. Pay their pension contribution to the appropriate pension contract (see above), and
2. Send their tax return to Revenue, electing to backdate the pension contribution to 2017 tax year

Where an employee elects to backdate a contribution to a previous tax year they need to ensure that relief has not already been given in the current tax year. Where the contribution is paid through payroll under the net pay arrangement income tax relief is automatic and is given in the current tax year.

EMPLOYEES: SUMMARY OF BACKDATING INCOME TAX RELIEF

DATE TO MAKE A CLAIM

Must elect to backdate pension contribution by **31st October 2018** for 2017 tax year.

PAYE employees who are required by Revenue to file a Form 12 for 2017 can opt to file online in which case they have until **14th November 2018** to pay their pension contribution and submit their tax return.

FORMS REQUIRED TO MAKE A CLAIM

PAYE Employees (including non-proprietary directors) need to complete Income Tax Form 12. This can also be done online through myAccount or by their tax agents through ROS.

Employees who have more than €30,000 gross non-PAYE income and more than €5,000 net non-PAYE income should submit a Form 11 instead of a Form 12.

RAC, PRSA or PRSA AVC Certificates should **not** be included with their tax return. Instead supporting documents, accounts, certificates, etc. should be kept in case they are requested by Revenue as part of an audit at a later date.

HOW TO MAKE A CLAIM

PAYE Employees not filing online should send their income tax form to their local Revenue office.

See **www.revenue.ie** for more information.

MAXIMUM PENSION CONTRIBUTION ALLOWED

For contributions paid in 2018 and set against 2017 earnings, an earnings cap of €115,000 applies for tax relief purposes to the total contributions to PRSAs, personal pensions and employee / AVC contributions to occupational pension schemes.

Age	% of Salary / Net Relevant Earnings
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%
55 to 59	35%
60 and over	40%

Note:

1. The limits across include any employer contributions to a PRSA
2. The earnings limit does not apply to employer contributions to occupational pension schemes
3. For occupational pension schemes the total contributions (employer, employee & AVC) must be within overall Revenue maximum contribution limits

LATE RETURNS

Revenue will not permit tax relief to be backdated against 2017 if the client has not elected to claim the tax relief in that tax year as part of his tax return, or if a tax return has not been filed on time. This applies even if the pension contribution was paid by 31st October 2018.

Revenue has made an exception for PAYE employees who are not normally self-assessed where they:

- Pay a contribution by 31st October 2018, and
- Retire in the year in which the contribution was made i.e. retire in 2018, and
- File a return and elect to backdate the contribution on or before 31st December 2018

If the above conditions are met then income tax relief against 2017 can be claimed.

If a client is not eligible for tax relief for any reason, this is not grounds for a refund of contributions. If tax relief cannot be claimed currently, then the client may be able to carry the relief forward and claim relief against relevant earnings in the future.

EARNING LIMIT AND INDIVIDUALS WITH DUAL INCOMES

Tax relief on pension contributions are subject to two limits:

- ✔ The age related percentage of salary as shown above
- ✔ The earnings limit which is set at €115,000 for the 2017 and 2018 tax years

Where someone has two sources of earnings, one from an office of employment where they are a member of a contributory occupational pension scheme (pensionable employment) and the other either non-pensionable or from self-employment, the pensionable earnings uses up the earnings limit first.

EXAMPLE 1

Pensionable earnings greater than the €115,000 earnings limit:

John

Age	45
Employment Income	€150,000
Pension Employee Contribution 5%	€7,500
Self-Employed Income	€45,000

Based on John's age the maximum contribution he can make to the occupational pension scheme and claim tax relief is 25% of his earnings, capped at €115,000.

So John's maximum pension contribution is 25% x €115,000 = €28,750.

As he is already contributing €7,500 he has scope to pay AVCs of up to €21,250.

John's pensionable income uses up the earnings limit first and as that income is greater than the earnings limit he cannot claim tax relief against any personal pension or PRSA contributions made in respect of his self-employed earnings.

This applies even if he does not maximise his AVCs to the company pension scheme.

EXAMPLE 2

Total Income over the €115,000 earnings limit:

Tom

Age	45
Employment Income	€80,000
Pension Employee Contribution 5%	€4,000
Self-Employed Income	€55,000

Based on his age the maximum contribution Tom can make to the occupational pension scheme and claim tax relief is 25% of his salary i.e. 25% x €80,000 = €20,000.

He is already paying employee contributions of €4,000 so he has scope to make further AVCs of €16,000.

Tom's pensionable employment uses up the earnings limit first, so he can only make pension contributions against €35,000 of his self-employed earnings i.e. €115,000 - €80,000 = €35,000. So the maximum pension contribution he can pay and claim tax relief on against his self-employed earnings is 25% x €35,000 = €8,750.

This applies even if he does not maximise his AVCs to the company pension scheme.

EXAMPLE 3

Total Income less than €115,000 earnings limit:

Kate

Age	52
Employment Income	€30,000
Pension Employee Contribution 5%	€1,500
Self-Employed Income	€60,000

Based on Kate's age the maximum she can contribute to the company pension scheme and claim income tax relief is 30% of salary i.e. 30% x €30,000 = €9,000. She is already paying an employee contribution of €1,500 so has scope to make AVCs of up to €7,500.

As her total earnings are less than €115,000, the earnings limit has no impact on the personal pension or PRSA contribution she can pay against her self-employed earnings, which based on age would be 30% x €60,000 = €18,000.

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Please Note: The information and tax rates contained in this document are based on Irish Life's understanding of legislation and Revenue Practice as at July 2018 and may change in the future. While great care has been taken to ensure the accuracy of the information contained in this document, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.

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